

**Governing Rapid Growth in Asia:
State-led Development in Historical Perspective**

Inaugural Address

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By

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Rector Magnificus, colleagues and students, ladies and gentlemen,

The history of modern Asia has been remarkable. In contrast to other parts of the world, many Asian countries have achieved a high level of economic development within a few decades after the Second World War. Rapid growth has been the hallmark of Japan and the East Asian tigers including South Korea, Taiwan, Hong Kong, and Singapore. The rise of other countries such as China and India has caught the world's attention as well. Asia is now the fastest growing region in the world.

The experience of these Asian countries attracts attention not only because of their outstanding economic performance, but also because they followed a trajectory of growth and development that deviates from conventional economic theories. Developments in these countries are not guided by the principles of free market and free trade. With the exception of Hong Kong, these countries sought rapid industrialization but did not rely exclusively on private enterprises or market mechanisms to achieve the goal. They defied the dictates of the "invisible hands", and exercised extensive control over economic activities.

For many developing nations which are still struggling to catch up or to alleviate poverty, Asia presents a promising model. This is especially so when many developing countries which followed World Bank and IMF advice have benefited little from the economic promise. The most vivid examples can be found in Latin America. Countries such as Mexico, Argentina, Colombia, Bolivia, and Peru have obediently followed the blueprints of the Washington Consensus with regard to open market and good governance. They carried out more liberalization, deregulation, and privatization in the course of a few years than what South Korea and Taiwan have done in four decades. Yet the growth rate of Latin American countries remains a mere fraction of their East Asian counterparts.¹

In the last three decades extensive research has been carried out to explain the so-called East Asian miracle. The most well-known account is given by the developmental state theory. At the risk of oversimplification, the logic runs as follows. First, some Asian countries are said to be characterized by the presence of a strong state that enjoys a high degree of autonomy from political and social pressures. Second, the state is seen as a decision-making machinery staffed by professional technocrats. These technocrats have made economic development the top priority of their country. Third, the state intervenes extensively in the economy to promote rapid industrialization. It does so by granting subsidies to targeted sectors, extending preferential loans to individual businesses, creating monopolistic enterprises to pick and protect market winners, and even engaging in direct production to develop new industries.

The developmental state theory owes much of its intellectual debt to Alexander Gershenkron who argues that latecomers to the world economy require a centralized

¹ Dani Rodrik, *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth* (Princeton: Princeton University Press, 2007), p. 20.

approach to industrialization and economic growth.² Put differently, “catching up” demands a more centralized mechanism for capital mobilization, industrial adjustment, and technology upgrading. This centralized mechanism, it is believed, can be provided by specific forms of the state. They are referred to as cohesive-capitalist states or simply developmental states.³ They stand in contrast to the so-called neo-patrimonial or predatory states that can be found in many poor nations.⁴ Those states exercise their coercive power not in overcoming collective action problems but in accruing personal benefits to their rulers and cronies. Such states are often plagued by rivalries and conflicts when resources are mobilized to fulfill dubious political goals.

The developmental state theory is appealing because it opens up possibilities to look beyond the dictates of the liberal market order and to escape the confines of dependency and the world system. Yet the theory is not without problems and criticisms. Its critics include not only neoclassical economists but also those who themselves are critical of neoclassical economics. We can group these criticisms into several categories. First and foremost is the tendency of the theory to romanticize the role of the state and to stylize an almighty state relentless in its pursuit of economic development. Critics have rightly pointed out that such a stylized account fails to capture the complex and dynamic internal workings of the state structure by depicting the state as an internally cohesive unitary actor capable of exercising agency in a rational manner.⁵ The second problem is the way the state is conceptualized. The theory sees the state as a Weberian decision-making apparatus. Its core-defining characteristic is efficacious instrumentality rather than the contentious issues of sovereignty, territoriality, citizenship, and power relations. The third problem is reification. Increasingly the developmental state is no longer just a theory but has become a factual category. It refers to a particular state form which can be found in countries experiencing rapid growth.

In brief, the developmental state theory has highlighted the institutional basis of development by focusing largely on the organizational characteristics of the state, at the expense of a nuanced understanding of the contradictions and arbitrariness of the development process. It runs the risk of presenting a narrowly constructed theory of political economy. The challenge is to find an alternative to this institutional approach which does not rest upon a technocratic understanding of development. It should bring back the central role of power and politics in the study of political economy, yet without

² Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (Cambridge, MA: Harvard University Press, 1962).

³ Atul Kohli, *State-directed Development: Political Power and Industrialization in the Global Periphery* (Cambridge: Cambridge University Press, 2004).

⁴ Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton University Press, 1995).

⁵ Chung-in Moon and Rashmi Prasad, “Beyond the developmental state: networks, politics, and institutions,” *Governance*, vol. 7, issue 4 (October 1994), pp. 360-86.

discarding the insight about the agential role of the state in development. My purpose here is to probe into such an alternative by outlining a process-driven approach.

Re-conceptualizing State-led Development

The first point of departure in the alternative approach is to replace the developmental state with the concept of state-led development. I do not dispute that the state, under certain conditions and forms of governance, can play a crucial role in stimulating rapid growth. These specific conditions, however, are not reducible to the organizational characteristics of state institutions. In fact, the diverse state forms in China, Singapore, and Japan show that there is no singular mapping between the institutional structure of the state and its developmental consequences. Development is best understood as a historical process predicated upon a concatenation of circumstances. It is not an inherent product of a particular form of state.

The second point of departure is the sensitivity to change. A state can be actively promoting economic development in one period but ceases to carry out such a role in another period. State-led development, in other words, is episodic. It does not mean that the state necessarily turns from being developmental to predatory – which is possible – but it can also mean that the state, with the same organizational structure and institutional configuration, stops exercising extensive economic planning and market intervention. Such a view departs from the assumption that once a particular state form has been institutionalized, it will remain in place and exercise developmental agency perpetually.

From these departures, the purpose of inquiry is to look beyond the institutional features of the state to identify the processes associated with episodic state-led development. Four intertwined processes can be highlighted in their contributions to effective state intervention in bringing about rapid growth. They can be categorized as historical, structural, agential, and policy processes. In the Asian cases, state-led development took place when economic development was hailed as a national project and a constitutive function of the state, when a pact of developmental alliance was forged between conflicting societal interests and ruling powers, when political entrepreneurship existed to fill in the institutional void and to define institutional functionality, and when reforms were carried out with regular adjustments. The Asian experience suggests that state-led development was most effective when these processes occurred in complement to one another. Let me explain this in more detail.

Economic Development as a State Project

The first process associated with state-led development is the institutionalization of economic growth as a state project. In some instances, when growth promotion was not perceived as a constitutive function of the state, it was nonetheless seen as compatible to other state projects such as war preparation, regime survival, and nation building.

From the outset, many nations after the Second World War were confronted with the immediate task of building a modern, independent state. Yet many of the defining

features of the modern state such as territoriality, sovereignty, secularity, and citizenship had to be invented, adapted, and accommodated to local conditions which witnessed different traditions of power, order, and governance. State fragility, as it occurs commonly in the African continent and in some parts of Asia such as in Sri Lanka and Afghanistan, often reflects the incompatibility between the modern state form and their indigenous social order, resulting in the failure of newly created state institutions in fulfilling their ostensible functions.

In this regard, state making is a continuing and contentious process during which indigenous understandings and institutions can clash, mesh with, and subvert the dominant Western model. Through imitation and selective adaptation, hybrid forms of order emerged. It is under such hybridity that many Asian states defined their national projects. They ranged from revolution and class rule, national integrity, ethnic domination, nation building, to unification, war preparation, and national security. Economic growth was at best among one of their national projects. Worse still, these state projects tended to be contradictory and competing. Each of them reinforced different sets of power-creating institutions in the state. The question is how economic development meshed with other national priorities such as the pursuit of national unity, international recognition, territorial integrity, and so on.

Recent histories of Asian countries tell us that the state played a limited role in development when the goal of economic growth was undermined by other state priorities. For example, during the Maoist period in China, the creation of a revolutionary society with heightened class consciousness was a sacrosanct state project. Productivity, technological innovation, and material well-being were condemned as capitalistic evils. A less extreme example can be found in South Korea under the Rhee regime. During this turbulent period, the priority was political survival. Long-term economic planning was generally absent from the national agenda.

Sometimes economic growth was linked to other state priorities, even though it was not seen as an end in itself. One good case in point is Taiwan under martial law, when the highest state priority was war preparation against attacks from communist China. Yet economic growth and war preparation were united under the logic that economic accumulation and planning were needed to support military expenditure.

We can see that when economic growth was upheld as a state project or when it was defined as complementary to other national priorities, the immediate political costs of growth-related policies were more likely to be tolerated. Policy failures would not automatically lead to a sharp U-turn in the overall reform direction. China provides a good example. During the late 1980s, the abortive price reform together with rampant corruption led to widespread social unrest. The outbreak of the 1989 Tiananmen Incident almost toppled the ruling communist regime. After the crackdown and a short period of setback, the momentum of reform was regained very soon. The Party had made it clear that economic development remained the unmistakable number one national priority.

The dramatic shift from class struggle to economic construction in China shows that state projects can change over time, even under the same regime. For episodic state-led development to take effect, economic development as a state project must be upheld over a substantial period in order to allow sufficient time for action. The questions are: under what circumstances were growth and development adopted as a state project?, and under what circumstances were growth and development institutionalized as a relatively long-term endeavour? The answer to the first question lies very much in the historical circumstances under which state making took place. In particular, state projects were shaped by past legacies such as the national experience in the light of colonial control or imperial aggression, external threats to national security, positions in the regional geopolitical order, and so on. The other question, namely, under what circumstances were growth and development institutionalized as a relatively long-term endeavour, leads us to the second process involved in state-led development: that is, the maintenance of a pact of developmental alliance.

Pact of Developmental Alliance

With very few exceptions, those Asian countries which experienced periods of rapid economic growth and industrialization were under one-party rule. This applies not only to authoritarian regimes such as South Korea under Park Chung Hee and Taiwan under the Kuomintang. It also applies to formal democracies such as Japan under the Liberal Democratic Party and Singapore under the People's Action Party. Even latecomers such as India and Malaysia are no exceptions. This has led to the argument that state-led development in Asia was predicated upon the presence of a strong state that acted autonomously without due regard to short-term social demands. In particular, it seems that in the absence of competitive elections, the ruling regime was less prone to offer electoral dividends to its supporters, and hence could concentrate in promoting accumulation rather than distribution.

However, there is no shortage of predatory authoritarian regimes. The corrupt regimes of Marcos and Soeharto are excellent examples. Both regimes were largely accountable for the slow development of Indonesia and the Philippines at a time when many of their neighbouring countries were experiencing economic take-off. Furthermore, if we look more closely at fast-growing economies such as Japan, South Korea, and China, we can find many instances of predation, cronyism, and rent seeking.

There is one further consideration. Haggard and Kaufman make an important distinction between the politics of policy initiation and the politics of consolidation.⁶ They argue that although insulated state institutions have a better capacity to initiate policy reforms, the consolidation of reforms requires the creation of relatively stable ruling coalitions and the acquiescence of major social forces. Reforms are unlikely to be sustained unless they generate adequate economic payoff for broad segments of society. Based on Haggard and

⁶ Stephan Haggard and Robert R. Kaufman, "Institutions and economic adjustment," in *The Politics of Economic Adjustment*, ed. Stephan Haggard and Robert R. Kaufman (Princeton: Princeton University Press, 1992), pp. 3-37.

Kaufman's insights it is clear that the problem is less question of an autonomous state not being captured by sectional interests, but more question of whether the state can create stable coalitional support which is capable of constraining distributive politics in favour of long-term development.

This problem is particularly relevant to Asia. Many societies in the region have been, and still are being, confronted with social cleavages along ethnic, religious, regional, and ideational lines. These cleavages were partly the result of colonial and geo-political legacies and partly the consequences of rapid socioeconomic changes. How was the state able to secure the support of different ethnic groups, farmers, industrialists, multinationals, labour, and the military to cooperate in the pursuit of economic policies for a substantial period of time? As Richard Boyd reminds us, the success or failure of state efforts to manage conflict, and the particular modalities by which states seek to manage this conflict, is a crucial determinant of development outcomes.⁷ In this regard, developmental institutions are fashioned within these struggles, rather than exhibiting a neutral existence outside the struggle.

One key element in the successful mitigation of rival social interests is the formation of a pact of developmental alliance. It is a compromise among different social forces to forfeit some of their political claims in exchange for other specific gains. Such an alliance offers special rewards to coalitional groups yet limiting excessive rent seeking and privileges. It gives selective compensation to the subordinate group for their political acquiescence. In exchange, they submit to the accumulation and growth imperative which then becomes institutionalized as a state project.

This can be illustrated with the case of Taiwan, where political tension was fuelled by ethnic, regional, and clientelistic cleavages. Under the authoritarian rule of the Kuomintang, a stable alliance developed between the mainlander regime and local islander elites. The latter were compensated with exclusive control over local resources in exchange for their acquiescence to political exclusion in national politics and to the state monopoly of strategic industries in the service of economic accumulation.

A more precarious case can be found in Malaysia. A delicate and contentious coalitional balance was maintained which allowed the Malay elite to dominate in politics and the Malay populace to define the autochthonous *bumiputera* culture as the core of Malaysian national identity, in exchange for their toleration of the dominance of the Chinese business and professional class in the pursuit of economic accumulation.

In contrast, India failed to forge a pact with its business class during the early years of its independence. The highly organized and concerted offensive launched by the business

⁷ Richard Boyd, "Introduction: the long-chain explanation of economic development," in *Political Conflict and Development in East Asia and Latin America*, ed. Richard Boyd, Benno Galjart, and Tak-Wing Ngo (London: Routledge, 2006), p. 14.

class rendered subsequent development plans ineffective and redundant.⁸ Existing studies have observed that such failure extended from the Nehru period to the Indira Gandhi era under which policy intervention by India's fragmented, multi-class state was not aimed primarily at promoting growth but more at creating short-term welfare benefits to consolidate political rule.⁹

Very often, the pact of developmental alliance is forged at certain historical conjunctures such as war, independence, regime change, and economic collapse. During such critical conjunctures, rival social forces may compromise for mutual survival. The presence of a strong leadership that can strike a strategic compromise among adversarial interests may further facilitate the pact formation.

In the absence of a pact, the state will be perceived as the coercive instrument of a privileged few. In extreme cases, state power will become the target of violent contentions under mass political mobilization, leading to praetorianism and state fragility. The decades-long conflict in Sri Lanka represents a classic case. Furthermore, the pact is a dynamic compromise subjected to constant negotiation and reinterpretation. As socioeconomic conditions change, the pact also requires regular adjustment to meet new circumstances. Inability to adjust may spell the end of the episode of state-led development, as the case of Taiwan exemplifies. Increasing political polarization and confrontation in the island since the 1990s have led to oscillations in policies and abortive reforms.

Political Entrepreneurship and Institutional Agency

The third process is the creation of institutional agency by means of political entrepreneurship. Existing accounts of state-led development tend to emphasize the key role played by a meritocratic bureaucracy capable of formulating and implementing development programmes based on technocratic rationality. This argument is pioneered by Chalmers Johnson in his renowned study of the *MITI and the Japanese Miracle*.¹⁰

Without doubt, there exists long traditions of bureaucratic competence in many Asian countries. Yet the stylized account of a depoliticized, benevolent, administrative state requires qualifications. In particular, regardless of their technocratic competence, bureaucrats are not immune to power struggles between rival state factions and bureaucratic kingdoms. Bob Jessop reminds us that there are often several rival states competing for temporary and local hegemony within a given national territory.¹¹ In Japan

⁸ Vivek Chibber, *Locked in Place: State-building and Late Industrialization in India* (Princeton: Princeton University Press, 2003).

⁹ Kohli, *State-directed Development*, chapter 7.

¹⁰ Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford: Stanford University Press, 1982).

¹¹ Bob Jessop, *State Theory: Putting the Capitalist State in Its Place* (Pennsylvania: Pennsylvania State University Press, 1990), p. 9.

where state organizations were described by Johnson as plan-rational, in-fighting between various ministries abounded. Further down the hierarchy, parochial interests of different sections were jealously guarded by compromising national reform programmes or by sabotaging the plans of other sections.¹²

In most cases, bureaucratic incumbents' motives and orientations are rarely congruent with formal role expectation. Relationships are often recast in terms of power instead of authority. Office holders compete for positions of power and resources, seek protection from rival elements, and advance their personal careers and fortunes. In such circumstances, a prerequisite for the state to govern the economy is its capacity to govern the state itself. Governing the state involves the difficult job of overcoming bureaucratic fiefdoms, checking predatory sectionalism, and negotiating with rival factions.

It is for this reason that political entrepreneurship is instrumental in the creation of effective agency. Agential capacity does not derive automatically and exclusively from organizational characteristics. Rather, agential power in organizations is variable and mercurial, as Rudolf and Rudolf remind us.¹³ It depends on the presence of political entrepreneurship. Political entrepreneurs are those state actors who actively negotiate and shape the rules of the bureaucratic game. In short, institutional agency is essentially episodic, depending on the bureaucratic incumbents' availability of power-related resources as well as their ability to mobilize those resources at a particular historical time to mark their own agenda as the agenda of the entire state machinery.

A good case in point is the Council for US Aid in Taiwan. The Council was set up in the 1950s with the responsibility of allocating economic and military aid from the United States to Taiwan. Under the strong leadership of K.Y. Yin, a highly respected technocrat, the Council extended its reach far beyond its official jurisdiction. It worked against bureaucratic fiefdoms and soon became a supreme planning and executive body which took over the formal planning and coordinating functions from various government departments. In consequence, many of the most important reforms including the shift from import substitution to export orientation came from the political maneuver of this Council.

In this regard, China offers the more prominent example of political entrepreneurship in shaping the convoluted interactions between governing the state and governing the economy. During the reform period, Deng Xiaoping and his followers contracted out

¹² Richard Boyd, "The making of state-bureaucracy relations in Japan," in *State Making in Asia*, ed. Richard Boyd and Tak-Wing Ngo (London: Routledge, 2006), pp. 53-90; Cf. Bernard S. Silberman, "The structure of bureaucratic rationality and economic development in Japan," in *The Japanese Civil Service and Economic Development: Catalysts of Change*, ed. Hyung-Ki Kim, Michio Muramatsu, T.J. Pempel, and Kozo Yamamura (Oxford: Clarendon Press, 1995), pp. 135-73.

¹³ Lloyd I. Rudolf and Susanne Hoeber Rudolf, "Authority and power in bureaucratic and patrimonial administration: a revisionist interpretation of Weber on bureaucracy," *World Politics*, vol. 31, no. 2 (January 1979), p. 206.

policy-making power and fiscal autonomy to various levels of bureaucratic agencies to create coalitional support. State agents who enjoyed unprecedented discretionary power became strong supporters of the reform. The central government exercises its leverage on the implementation of national plans by setting specific performance targets for local officials. At the same time, local governments are left with substantial autonomy in designing specific policy programmes to achieve the assigned targets. As such, officials at all levels along the hierarchy waste no time in manipulating the plans, exploiting administrative grey areas, and twisting organizational functions to maximize the growth potential of their locality. It is a process that sees endless negotiation, adjustment, and compromise between long-term considerations and short-term advantages, between national goals and local interests, and between bureaucratic reasoning and business demands.

The case of China brings us to one further aspect of institutional agency which has been largely overlooked. State-led development is not only about getting macro-level planning or long-term development strategies right. The effectiveness of programme plans often requires the presence of developmental support at the grass-roots level. Very often it is the absence of grass-roots institutions that accounts for developmental failures. In such cases of institutional void, political entrepreneurship plays a large part in filling in the vacuum.

Taking the China case as an example again, in the absence of venture capital, some municipal authorities offer capital as well as infrastructural support to high-tech but high-risk investment projects. Many pawnshops have become de facto commercial banks for small- and medium-sized enterprises. They accept letters of credit, company shares, factory machineries, and so on as collateral. They fill in an institutional void when most state-owned banks are reluctant to provide operational credits to smaller enterprises. Such examples are not unique to China. Other researchers have documented cases of institutional void when large developers and industrial conglomerates in Indonesia and India perform public developmental and regulatory functions such as town planning, infrastructural development, and even health care and education.¹⁴

The phenomenon of institutional void blurs the public-private divide. Under certain conditions the fuzzy boundary allows for the emergence of developmental agency. It occurs when private actors take over public functions in the absence of state institutions; or when state actors fill economic functions in the absence of market institutions or when market institutions are underdeveloped. So far we know little about these conditions. Specifically, under what circumstances will private actors take up developmental functions? The answer is pending and more research is required. But one important implication can be drawn here, which is the fact that state-led development does not imply a complete displacement of private efforts or market responses.

¹⁴ Marleen Dieleman, "New town development in Indonesia: renegotiating, shaping and replacing institutions," ms; Raymond Fisman and Tarun Khanna, "Facilitating development: the role of business groups," *World Development*, vol. 32, no. 4 (2004), pp. 609-28.

Policy Adjustments

This brings us to the fourth process associated with state-led development: policy adjustments. States perform their economic leading role through the implementation of industrial policy and regulatory arrangements. Put differently, state-led development is operationalized through policy actions and regulatory regimes. Industrial policy often involves the channeling of economic resources to selected economic sectors or enterprises by means of protection, subsidies, privileged access to factors of production, and so on. Regulatory arrangements involve the rules of exchange and property rights structures that shape investment decisions and production functions. In most of the rapidly growing Asian countries, one can find a broad array of industrial policies and regulatory arrangements which governments have used to promote industrialization and economic upgrading. The situation easily leads us to conclude that economic success is the result of appropriate policies and regulations. The institutional approach underlying the developmental state theory begins precisely with such an assumption, and it works back in the causal chain to identify the institutional foundations that give rise to the “right” policies.

From our perspective, the importance of policies and regulations requires some qualifications. First, a comparison of the emerging markets in Asia reveals that policies and regulations varied tremendously across countries. This underlines a major insight offered by Dani Rodrik: there are multiple ways of mapping economic goals into policy arrangements and institutional reforms. Different packages have different costs and benefits depending on prevailing political and administrative constraints and opportunities. As such, Rodrik suggests that there is an infinite menu of policy designs that allows for creative shortcuts and bold experiments.¹⁵

Second, given the many possibilities for creative reform experiments, we find a lot of failed policies existing side by side with successful ones within a country. So in response to Chalmers Johnson’s triumphal description of *MITI and the Japanese Miracle*, David Friedman documented numerous policy failures of the Japanese state in a book which he titled *The Misunderstood Miracle*.¹⁶ He found that in the Japanese machine tool industry, state-orchestrated industrial transformation never took place; policies designed to produce one outcome led to another; and economic adjustments congruent with policy goals occurred for reasons unrelated to state intervention.

This leads to my question concerning how the state adjusts its reform programmes when the latter failed. In particular, since most industrial policies involve selective protection of economic sectors or preferential allocation of resources to targeted enterprises, their implementation will inevitably invite rent-seeking activities from market players, regardless of whether such policies are made by insulated technocrats or not. The major

¹⁵ Rodrik, *One Economics, Many Recipes*, p. 29.

¹⁶ David Friedman, *The Misunderstood Miracle: Industrial Development and Political Change in Japan* (Ithaca: Cornell University Press, 1988).

concern here is not the negative impact of rent seeking on the economy, as some observers have already noted that not all rents are inefficient and growth retarding, some rents in fact play an instrumental role in growth and development.¹⁷ Rather my concern is how rent seeking deflects intended goals of reform and hence renders state-led policies ineffective or compounds them with unintended consequences.

A further complication is the dual nature of industrial policy. On the one hand, it is an economic instrument used to shape investment decisions and market exchanges. On the other hand, it can be used as a political instrument to offer special advantage and benefits to supporters. It can also serve an important function in delivering selective compensation for the maintenance of a pact of developmental alliance which we discussed earlier. From this point of view, an industrial policy which apparently fails in achieving the ostensible economic goal may in fact be quite successful in meeting political ends.

In the constant negotiation and compromise between political needs and economic objectives, the implementation of effective industrial policy hinges upon the capacity of policy makers to make flexible adjustments to keep the balance in check. Ronald Dore characterized such a process in Japan as “flexible rigidities”.¹⁸ Deng Xiaoping described it as groping for the stones while crossing the river. It figuratively captures the twists and turns in the adjustment process. In order to minimize the political cost of reform, the state needed to avoid impairing the interests of the status quo actors when putting forward new reform measures. In such a coalition-building process, every reform measure was the result of compromise. Because of their lack of thoroughness, these reform measures soon became the stumbling blocks for further progress. So the results of earlier reforms quickly became the targets of the next reform. In the absence of a state project focusing on economic growth, there would not be a strong imperative to make regular adjustments. In the absence of a pact of developmental alliance, there might not be sufficient political support to modify and re-modify reform programmes. Without political entrepreneurship, policy makers would not be able to mobilize their institutional resources to create new policy shortcuts. And without constant adjustments to those policies and regulations being deflected or hijacked by rent-seeking activities, the state could hardly assume instrumentality in coordinating economic exchange and in effecting industrialization.

Conclusion

From this brief sketch it is quite clear that state-led development is anything but a straightforward process. The shift from an institutional analysis to a process-driven analysis further underlines the complexity of such a process. That is why so many countries are still struggling to overcome poverty despite decades of experimentation with different prescriptions.

¹⁷ Mushtaq H. Khan, “Rent, efficiency and growth,” in *Rents, Rent-seeking and Economic Development: Theory and Evidence in Asia*, ed. Mushtaq H. Khan and Jomo K.S. (Cambridge: Cambridge University Press, 2000), pp. 21–69.

¹⁸ Ronald Dore, *Flexible Rigidities: Industrial Policy and Structural Adjustment in the Japanese Economy, 1970-1980* (Stanford: Stanford University Press, 1988).

Can the experience of Asian economies be replicated elsewhere? Most likely not, if we are talking about copying their social structures, state organizations, and policy packages. These are shaped as much by specific historical legacies of individual countries as by the global politico-economic order during the second half of the 20th century. After all, state-led development is episodic even in these countries. Yet there is a deeper level of understanding that probably can inform aspiring nations. This requires a reappraisal of development as a historical process – a dynamic process which underscores the intricate interactions between state projects, alliance formation, political agency, and policy reforms.

Many have predicted that the 21st century will be an Asian century. If this is the case, instead of a century where some Asian countries establish themselves as the new hegemon of an alternative global order, let this be an epoch during which the successful experience of Asia enlightens poor countries and fragile states in their long struggle to craft a better life to their people.

Thank you for your attention.

Afterword

The argument presented here represents a summary of my major research in the past 20 years. At different periods I have studied government–business relations, state making, social cleavages, intra-bureaucratic conflicts, coalitional politics, and rent seeking in a number of Asian societies. This is my first attempt to link up the conclusions from my previous studies in a logical manner. The preparation of this inaugural address indeed helped me sharpen the idea of a process-driven approach to the study of political economy and governance.

I hope the many friends, colleagues, and students who attended my inaugural address found this approach refreshing. In view of the wide variety of backgrounds, and I was naturally curious about their response to what I said. I am grateful not only for their attendance and their memorable presents, but also for their enthusiastic comments on the address.

During the last two decades of my intellectual journey, I have benefited from many teachers and friends who shared their insights with me. In particular, I am indebted to Richard Boyd, a long-time mentor, research partner, and friend. Richard has been a constant source of inspiration, to the extent that many of my views about Asian history and development are the products of our joint research projects. Furthermore, some of the ideas presented here can be traced back to a collaborative project undertaken at the Netherlands Institute for Advanced Study in the Humanities and Social Sciences (NIAS) in 1998. The intellectual vigour of the project leader Benno Galjart and other members of the research team fuelled my own academic pursuits. Although Benno retired 10 years ago, he continues to actively participate in intellectual debates, and I really appreciate his presence on this occasion.

A number of people and institutions have enabled me to carry on my intellectual journey and take it into a new phase. I thank the International Institute for Asian Studies and the Stichting ter Bevordering van de Aziëstudies in Nederland for the establishment of this chair. In particular, I am grateful to the Chairman of the IAS Board Henk Schulte Nordholt and the former Director Max Sparreboom for their trust in nominating me to this chair. I would like to acknowledge the Acting Director Manon Osseweijer for her unflagging support in the various tasks relating to this job. I thank the Rector Magnificus and the College van Bestuur of Erasmus University Rotterdam for appointing me to the position. Colleagues in the Faculty of History and Arts have extended a warm welcome and made me feel very much at home. The Dean of the Faculty Dick Douwes has been most supportive and generous. To all of them I offer my heartfelt gratitude.

My deepest appreciation is reserved for my wife Rebecca for her boundless encouragement and love all these years. Incidentally, the day of the inaugural address, 16 October 2009, is also the day of our 21st wedding anniversary. I cannot think of a more fitting present than to dedicate this address to her.